



Nalapollo

## Facts and Figures

Investment Market Germany  
Q1 2018

“The next best thing to knowing something is knowing where to find it.”

Quote from Samuel Johnson

If you require any further information, please do not hesitate to contact us. We can put you in touch with our specialists who are always happy to provide you with expert support. We look forward to hearing from you!



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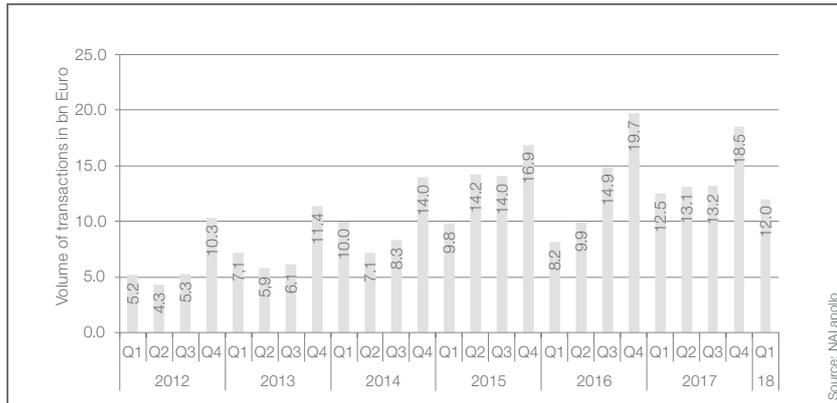
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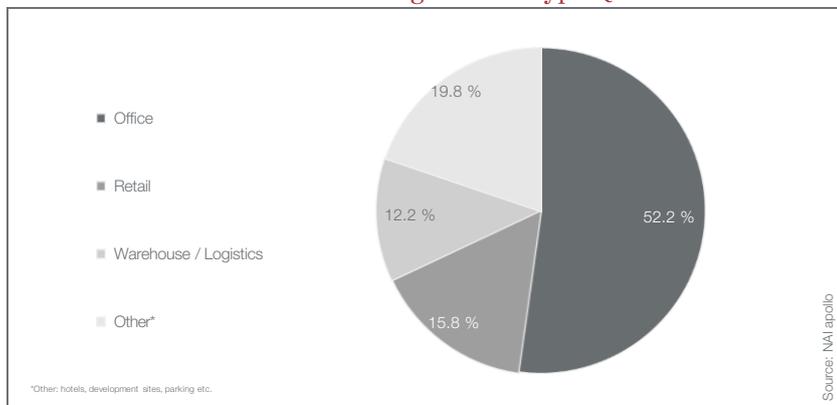
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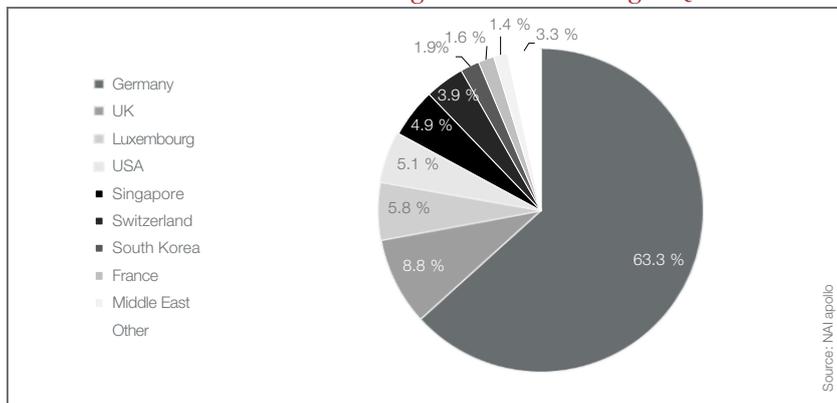
Volume of transactions 2012 – Q1 2018



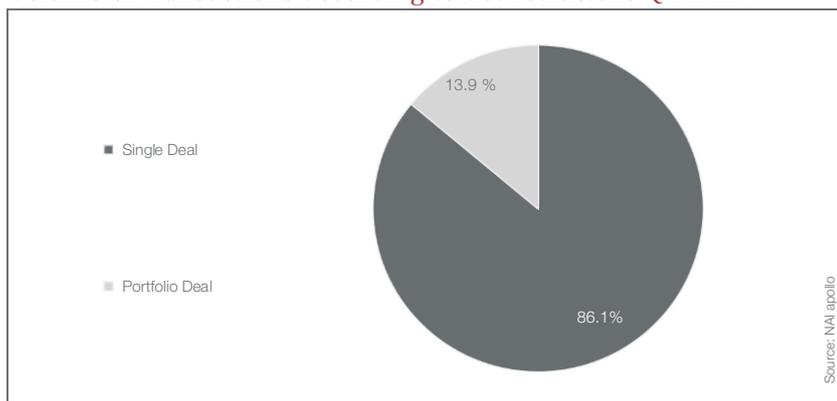
Volume of transactions according to asset type Q1 2018



Volume of transactions according to investors' origin Q1 2018



Volume of transactions according to deal structure Q1 2018



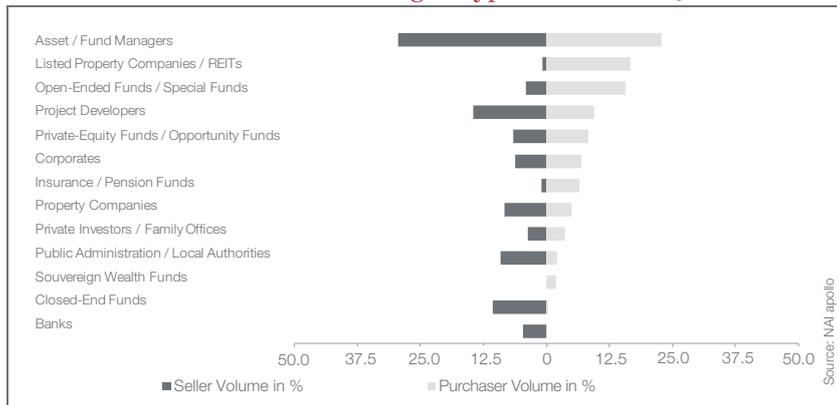
The German commercial property investment market has made a very good start to the year. The transaction volume of about €12 billion that was recorded for the first three months of 2018 is only 3.8 % below the previous year's record level.

In contrast to 2017, this positive result was primarily based on individual transactions, which accounted for total investments of €10.33 billion (86.1 % market share). In the previous year, individual transactions generated a volume of about €8.93 billion, meaning that the current year's result is 15.6 % above the 2017 figure. Portfolio deals fell correspondingly, almost halving from approx. €3.54 billion in the previous year to €1.67 billion at present.

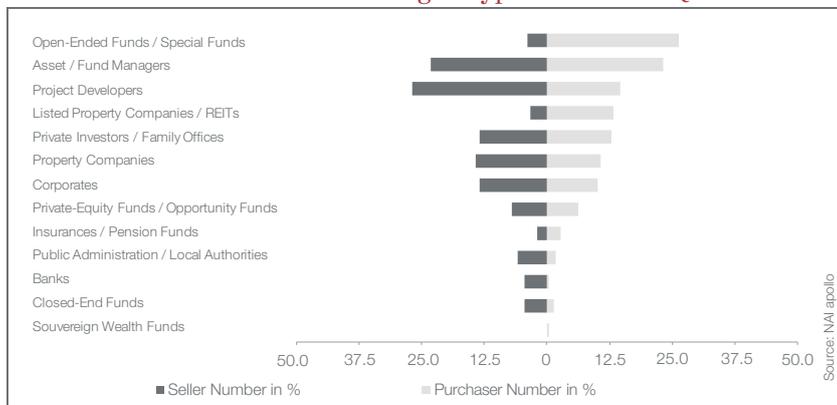
Among the different asset classes, office properties further strengthened their leading market position. These types of properties accounted for a transaction volume of €6.27 billion in total, thereby increasing their market share from 45.8 % (Q1 2017) to 52.2 %. The second-strongest asset class, retail properties, suffered a reduction of 39.8 %, with a volume of €1.89 billion equating to a market share of 15.8 %.

Investments in logistics properties fell as expected, following a strong performance last year. In the first three months of 2018, about €1.47 billion was invested in logistics properties. This can still be considered as a very good result, however. "Other uses" generated an investment volume of €2.37 billion or a share of 19.8 %. Of this amount, hotels were responsible for approx. €620 million (5.2 %), which was 43.8 % below the previous year's level.

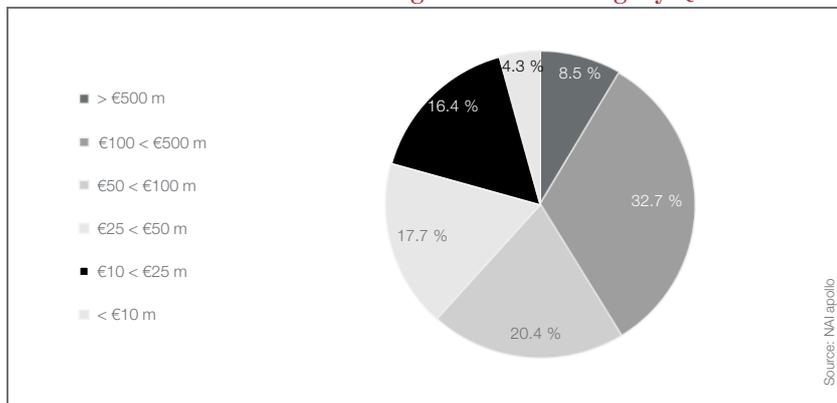
Volume of transactions according to type of investor Q1 2018



Number of transactions according to type of investor Q1 2018



Volume of transactions according to volume category Q1 2018



Prime yields Q1 2018

	Prime office yields	Prime retail yields	Prime logistics yields
Berlin	2.90 %	3.00 %	4.45 %
Dusseldorf	3.50 %	3.30 %	4.45 %
Frankfurt a. M.	3.20 %	3.00 %	4.45 %
Hamburg	3.05 %	3.00 %	4.45 %
Munich	3.00 %	2.90 %	4.40 %
Total	Ø = 3,15%	Ø = 3,05%	Ø = 4,45%

Source: NAI apollo

German investors played a dominant role on the investment market in the first three months of 2018, accounting for 63.3 % or €7.59 billion. Their investment volume therefore increased by €0.8 billion compared to the previous year. In contrast, the amount invested by foreign players dropped by as much as 20 %. The most strongly represented countries of origin were the UK with an 8.8 % share, followed by Luxembourg with 5.8 %, the USA with 5.1 %, and Singapore with 4.9 %.

“Asset/fund managers” and “open-ended funds/special funds” were again among the most active investors in terms of the different types of market players, with shares of 22.9 % and 15.7 % respectively. However, “listed property companies/REITs” positioned themselves as the second-strongest investor group in Q1 2018 with a 16.6 % share. “Project developers” were ranked fourth with an invested volume of €1.14 billion. “Asset/fund managers” (29.5 % share) and “project developers” (14.6 % share) were the most active sellers.

The reduction in portfolio deals was also reflected in the distribution of the investment volume according to the deal size. Only two deals were recorded in the segment above €500m, including the Frankfurt municipal centre, which was acquired by Aroundtown, and the acquisition of the Alpha Industrial portfolio by Frasers Property. Correspondingly, the large transactions category also accounted for the biggest decrease of around one third compared to the year before. The “€100m<€500m” segment, which registered a slight increase compared to the year 2017, accounted for the largest share of transactions at 32.8 %.

## Selected commercial transactions Q1 2018

Alpha Industrial Portfolio (German part)	
Purchaser	Frasers Property
Purchase Price (ca.)	€520,000,000
Asset Type	Logistics
Frankfurter Municipal Center	
Purchaser	Aroundtown
Purchase Price (ca.)	€500,000,000
Asset Type	Office
Correo Quartier Munich	
Purchaser	Credit Suisse
Purchase Price (ca.)	€275,000,000
Asset Type	Office
BSH Headquarter Munich	
Purchaser	KGAL
Purchase Price (ca.)	€250,000,000
Asset Type	Office
SZ Tower Munich	
Purchaser	Various Pension Funds
Purchase Price (ca.)	€244,000,000
Asset Type	Office
East Side Offices Munich	
Purchaser	InfraRed Capital Partners
Purchase Price (ca.)	€235,000,000
Asset Type	Office
Former Police Headquarters Frankfurt	
Purchaser	GERCHGROUP AG
Purchase Price (ca.)	€213,000,000
Asset Type	Office
Aviva Munich	
Purchaser	KGAL
Purchase Price (ca.)	€200,000,000
Asset Type	Office
ATLAS Munich	
Purchaser	Allianz Real Estate
Purchase Price (ca.)	190,000,000 €
Asset Type	Office
Junges Quartier Obersendling Munich	
Purchaser	GEG German Estate Group
Purchase Price (ca.)	€170,000,000
Asset Type	Office

Source: NAI Apollo

In spite of the continuing high demand for German commercial property, a gradual stabilisation of the prime yield became broadly apparent during the first quarter. Prime yields fell slightly in only two locations in the office segment and in three locations in the retail segment. Consequently, the average yield for the Top 5 markets fell by three basis points for office property and by seven basis points for retail property. In the logistics property asset class, the prime yields remained at the previous year's level in all top locations during the first three months of 2018.

In the retail property segment, the sharpest reduction in the prime yield was registered in Frankfurt with a 0.20 percentage point decline (to 3.00 %). Berlin and Hamburg also recorded decreases of five and ten basis points respectively to 3.00 % apiece. In Munich and Dusseldorf, prime yields for commercial properties remained stable at 2.90 % and 3.30%.

In the office property asset class, yields fell again in Munich (by five basis points to 3.00 %) and Dusseldorf (by ten basis points to 3.50 %). Compared to the previous quarter, prime office yields were unchanged in Berlin (2.90 %), Frankfurt (3.20 %) and Hamburg (3.05 %).

Yields have largely stabilised in the logistics property segment. Prime yields for Berlin, Dusseldorf, Frankfurt and Hamburg remained unchanged at 4.45 %. With a prime yield of 4.40 %, Munich was still the most expensive logistics location in Germany.

The positive start to 2018 highlights the continuing strong level of interest in German commercial property. Real estate investments continue to be underpinned by developments on the capital market. For example, the European Central Bank is not expected to increase interest rates this year. Although the level of yields has partially stabilised, it is unlikely that yield compression has already fully reached its peak. Further reductions are expected to occur throughout the year. According to NAI Apollo, the transaction volume on the commercial property investment market will reach between €50 billion and €55 billion in 2018 as a whole.

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OWNER-MANAGED

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THAN 30 YEARS OF MARKET EXPERIENCE

INDEPENDENT - INNOVATIVE - SOLUTION-ORIENTED

LOCAL - NATIONAL - TOP NETWORK

FLEXIBLE - CUSTOMER-FOCUSED - COMPETENT



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